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DISPOSAL A PROBLEM AS

CCC Holdings Increase

THE VOLUME of agricultural commodities held by the Commodity Credit Corporation has increased sharply during the last two years. This has not been an unexpected development. It is a result of necessary price support operations in a period when farm production has been at near-record levels, domestic and foreign demand have been slackening, and prices received by farmers have been declining generally.

As the Government's holdings have grown, greater attention has been focused on disposal problems—and upon production adjustment measures to prevent building up these stocks to unmanageable levels. Some of the discussion of these questions has reflected a failure to differentiate among the different types of commodities which are held by the Corporation, or the different problems involved in their disposal.

An Important Distinction

It is important to distinguish clearly between commodities which the Government actually owns and those which it holds as security against price-support loans. There has been a tendency to lump "loan" and "inventory" holdings together and refer to them as "government surpluses." It is also important to understand the different disposal problems for perishable commodities compared with the "storables."

As of March 31, 1950, CCC had a total of $4,020,909,000 invested in loans and inventories under price support operations. Of this total, $2,165,903,000 represented loans advanced to farmers, with storable commodities held as security for the loans. The remainder, $1,855,006,000, represented the cost of commodities to which CCC had taken title, either through purchase or through taking over stored collateral at the end of price support loan years. This latter group is the CCC inventory.

Farmers who produced the commodities which have been put up as security against the price support loans still hold title to these stocks. They may pay off the loans and redeem their crops at any time. Large percentages of these loan stocks may eventually be surrendered to the Corporation and become part of its inventory, depending on market conditions during the loan year. Until then, however, CCC can merely hold these stocks as security against its loans. It cannot dispose of them or direct their disposition in any way.

Another Breakdown Needed

Inventory stocks, on the other hand, belong to the government. It is this group of commodities that provides CCC's problems of disposal at the present time. Even here, however, a further breakdown is necessary.

The disposal problems for the storable commodities which can be kept indefinitely are very different from those for the so-called perishables, or semiperishables, which must be disposed of in a relatively short time to avoid deterioration or spoilage.

Of the total value of the CCC inventory, the storable commodities wheat, cotton, and corn and other feed grains account for 70 percent. The rest covers the semiperishable group and some special commodities such as linseed oil and wool. The semiperishables alone account for less than 300 million dollars, or about 15 percent of the value of all commodities in the inventory. These are the commodities for which disposal problems are of immediate concern.

Complete listings of the commodities on which loans have been advanced and

those which are in the CCC inventory are given in the accompanying table.

Potatoes, the crop which has posed the most serious current disposal problem, show up in only insignificant amounts in the CCC inventory. This is because the Government does not buy potatoes to store. It distributes all price-support potato purchases immediately through whatever diversion outlets are available. The same procedure has been followed with some other crops, principally limited seasonal purchases of fresh vegetables and fruits for immediate school lunch or welfare distribution. However, the basic disposal problems of these products are similar to those for nonstorable commodities held in inventory.

A Long-Range Problem

Although the problem of disposing of the nonstorable commodities is the most pressing, it should not be concluded that there are no problems in connection with the large holdings of cotton, wheat, corn and other storable commodities. A lot of money is tied up in price support operations for these crops now, and more undoubtedly will be before we are able to strike a production balance. However, the solution lies in longer-range steps to adjust production in line with demand rather than in emergency disposal.

Whether our holdings of these storable commodities can be considered excessive depends largely on the reserve requirements for these crops. If CCC holdings are simply part of the desirable reserve—acquired under CCC price support operations by the Government—then these holdings should not be regarded as surpluses.

A desirable annual carryover or reserve of corn, for example, probably would now be from 750 million to a billion bushels. Any time production dropped to the 1947 level, we would need about that much to insure continued feeding schedules at current rates. At present, it is estimated that the corn carryover, when the 1950 crop comes in this fall, will be a little over 900 million bushels, including CCC holdings.

A wheat reserve of from 350 to 500 million bushels is desirable. It is now estimated that the carryover of old wheat this July 1, again including CCC stocks, will be somewhat over 400 million bushels.

A cotton carryover of four or five million bales would probably be regarded as "normal." We can expect a carryover this summer of around seven million bales. This points to the desirability of some downward adjustment in the cotton reserve.

The present Government holdings of these three basic commodities—and they make up a large percentage of the total CCC stocks—do not represent "serious surpluses." The immediate disposal problems obviously center around the relatively much smaller stocks of perishables and semiperishables.

Several programs and authorities are available to facilitate the disposal of stocks of farm products held by the Government. Before discussing them, however, a basic principle which must be observed in disposing of commodities taken off the market to support prices should be emphasized. The principle is this: These commodities cannot be turned back on the market unless the market prices rise above the support level. If they are, new price problems are created. For example, if surplus commodities are to be donated for welfare and related use, safeguards must be followed to see that the donations are used "in addition to" and not "in place of" the quantities which normally would be purchased by those receiving the donations.

Much of Stocks Moved

The Department of Agriculture has been contending with surplus distribution problems for many years. While difficulties have been greater with some commodities—potatoes, for instance—than with others, it has been possible to move substantial quantities of the stocks acquired.

One of the first efforts of the Department has been to prevent disposal problems from arising. One specific operation is known as the Plentiful Foods Program, under which steps are taken to increase consumption of abundant-supply commodities through normal trade channels. During the last year, there has been greater consumption of many foods as a result of

CCC COMMODITY HOLDINGS, MARCH 31, 1950

Commodity	CCC inventories		CCC loan advances	
	Quantity	Cost value	Quantity of collateral	Amount
Cotton, Upland	3,598,600 bales	$608, 003, 453	2,275,798 bales	$321, 679, 888
Corn	217,517,144 bu	330, 838, 275	573,809,804 bu	782, 442, 660
Wheat	131,790,638 bu	327, 132, 896	316,046,836 bu	625, 994, 482
Linseed oil	430,199,908 lbs	122, 331, 807		
Eggs, dried	83,237,185 lbs	104, 446, 706		
Flaxseed	12,501,708 bu	79, 238, 672	9,147,602 bu	34, 110, 612
Butter	86,733,726 lbs	54, 007, 810		
Beans, dry edible	4,764,803 cwt	42, 399, 212	7,067,913 cwt	48, 678, 021
Milk, dried	305,333,476 lbs	38, 857, 806		
Barley	24,718,044 bu	35, 490, 428	24,685,675 bu	26, 967, 599
Cottonseed	562,959 tons	30, 028, 566	6,785 tons	356, 725
Wool	28,503,647 lbs	24, 049, 131		
Rosin	210,837,798 lbs	17, 177, 447	178,222,685 lbs	12, 176, 597
Oats	10,979,187 bu	9, 618, 574	28,431,169 bu	19, 057, 828
Cheese	21,488,373 lbs	7, 325, 506		
Peanuts, farmers' stock	40,155,396 lbs	4, 247, 318	118,901,890 lbs	11, 697, 920
Peanuts, shelled	11,366,595 lbs	1, 690, 779		
Grain sorghum	1,871,128 cwt	5, 298, 986	42,845,327 cwt	97, 648, 132
Turkeys	8,586,389 lbs	3, 455, 842		
Minor items		9, 366, 441		
Tobacco			356,043,799 lbs	143, 375, 899
Soybeans			10,939,907 bu	23, 245, 902
Potatoes, Irish [1]			9,811,321 cwt	6, 847, 522
Rice			1,439,921cwt	6, 165, 720
Peas, dry edible			746,419 cwt	2, 293, 412
Turpentine			2,586,471 gals	1, 074, 137
Rye			771,590 bu	933, 963
Cotton, American-Egyptian			2,933 bales	839, 923
Lespedeza seed			2,634,131 lbs	316, 091
Total		1, 855, 005, 655		2, 165, 903, 033

[1] The potato loans shown here are short-term loans at 75 percent of the support price, on late crop potatoes, as a temporary financing plan to promote orderly marketing.

this program. Other measures for moving over-plentiful foods include efforts to encourage exports in regular trade channels and to divert commodities into other than normal uses. In these activities, priority is given to diversion for human consumption.

Several Programs Available

For those stocks which we must take over in the course of price support operations, in spite of the effort to increase commercial sales and divert to special uses, several authorities and programs are available to facilitate disposal. These include the following:

(*a*) CCC holdings are sold whenever possible in either domestic or foreign markets, if this can be done without interfering with price-support objectives. Every effort is made to handle such sales through normal channels of trade. When this is not possible, special negotiated sales are sometimes arranged.

(*b*) Appropriate commodities are distributed in large volume through what we call the Direct Distribution Program. Outlets for this operation include school lunch programs, charitable institutions, and the Bureau of Indian Affairs. In the years 1936 through 1949 nearly 12 billion pounds of surplus commodities were distributed in this way. In 1949 such distribution totaled 393 million pounds of food.

(*c*) Under Public Law 85, Eighty-first Congress, the Commodity Credit Corporation is authorized to exchange agricultural commodities for strategic and critical materials produced abroad. While we have investigated numerous possibilities, to date only one exchange has been completed.

(*d*) Under section 416 of the Agricultural Act of 1949, CCC can make commodities available to the Munitions Board and other Federal agencies for use in making payments for commodities not produced in the United States. To date it has not been possible to complete any transactions under this authority. Section 416 also sets up priorities under which surplus commodities can be supplied at no cost except handling and transportation charges to school lunch programs, the Bureau of Indian Affairs, public and private domestic welfare agencies, and private welfare agencies for the relief of needy persons abroad. Potatoes, dried eggs, and dried milk have been made available for distribution through all of these categories, and butter and cheese have been made available to all but the last category.

A Recent Amendment

Under a recent amendment designed to move as many as possible of the surplus 1949-crop potatoes into human consumption, CCC is authorized to pay transportation costs on potatoes from this crop. On overseas shipments these transportation costs are limited, of course, to movement to the nearest seaport.

Disposal of surplus Government holdings is a very real problem. It is undoubtedly one of the most difficult with which we have to deal at the present time. The "emergency" area, however, is relatively limited.

Ralph S. Trigg
Production and Marketing Administration

Financing farm adjustments

THE DECLINE in farm income during the last 2 years and the reductions in acreage allotments for important cash crops make it clear that our agriculture is facing major adjustments. These adjustments will take money, and financing problems are likely to be increasingly important to farmers for several years.

As land is taken out of cash crops, many farmers are likely to devote a larger acreage to pastures and hay and the related production of livestock products. At the same time, farmers are likely to step up their drive for greater efficiency and lower costs of production since the prices they receive have dropped faster than their costs.

Larger Investments

To meet this situation many farmers will have to invest additional money in livestock, grass seed, and fertilizer to make the best use of the land withdrawn from cash crops. Some may increase the size of their farms to make more complete use of their time and equipment. Other farmers are likely to go in the opposite direction and make the adjustment by cutting expenses and capital investment. Some may reduce their farming operations and seek part-time jobs in industry while others may leave farming entirely.

Agriculture has never entered an adjustment period when the financial position of farmers as a group was more favorable. At the beginning of 1950, farmers are estimated to have had about 19 billion dollars of currency, bank deposits, and savings bonds. This is about 15 billion more than they had in 1940 and is much greater than the liquid reserves owned by farmers any time before that. Because of the current high level of costs, the purchasing power of these financial reserves is not as much greater now than in earlier times as the figures may suggest. However, many farmers have sufficient funds on hand to finance all or most of their adjustments. For these farmers, the problem is not how to raise capital but how best to use the capital they have.

More Money Available

Among farmers who will make adjustments on their farms, however, many will need to borrow, for large numbers of farmers even now have only small financial reserves. Generally, these farmers will find it easier to raise money than in past periods when they were faced with a decline of income and a need to adjust their farming practices. For one thing, the lending agencies on which farmers rely for credit are far better supplied with loanable funds than in those earlier times. They also are more aware of the need to render the credit services that farmers require.

Farmers, on their part, have reduced their debts far below the levels of 1920 and 1930. Despite a rapid increase in farm debts since the war, they are now only 20 percent above 1940. This means that debts are much lower, relative to farm income and to the value of the assets owned by farmers, than in 1940 or during the 1920's or 1930's.

Some Heavily in Debt

This improvement in their financial condition will make it easier for farmers to obtain the financing they may require. However, some farmers are heavily in debt and would have difficulty in raising more capital. This is true particularly of former tenants who

have recently bought farms and of veterans and others who have entered farming since the war.

With prospects generally favorable for the financing of the adjustments needed in our agriculture, what steps should farmers take, when they require credit, to assure that the terms of loans will be suited to their needs? In general, three steps can be recommended.

First, the farmer should determine as accurately as possible what will be involved by the adjustments he desires to make in his farm organization and practice. This will require consideration of costs and returns and of the period of waiting that will be involved, after investments are made or costs incurred, before the returns will flow in. Careful attention should be paid to the agricultural outlook. It should be determined that prospects are favorable before the adjustments are undertaken. This is particularly the case when the adjustments contemplated are extensive and would involve heavy borrowing.

Terms Vary Widely

Second, the farmer should consider what terms of borrowing he would require to carry through the proposed changes in his farm organization. These terms will vary widely according to the nature of the change in farm organization and practice. For example, farmers who expand a livestock enterprise by raising more hogs or buying feeder cattle should be able to pay their loans within 6 months to a year. On the other hand, loans to increase stocker or dairy cattle may be expected as a general rule to pay out more slowly. Credit extending over a period of 5 or 10 years may be required by some farmers who undertake an extensive reorganization, such as would be involved in terracing, draining or irrigating land, constructing new buildings, or establishing a livestock herd and a pasture-improvement program.

Third, the farmer should lay his proposed plan of reorganization before his lending agency and fully explain the total amount of credit he requires and the time he needs to repay the loan. This is particularly important when the farmer wants credit for a period exceeding 6 months to a year. On the basis of mutual information and understanding, it usually will be possible to develop a plan of financing adapted to the farmer's needs.

Mortgage May Be Best

If the farmer needs credit for a period of several years, he frequently can obtain terms better suited to his needs by giving a real estate mortgage as security rather than by borrowing on chattel mortgage or unsecured note. Lenders commonly are willing to make amortization loans for long periods on the basis of a real estate mortgage. But they usually require fairly short maturities, seldom exceeding 6 months or 1 year, on unsecured notes or notes secured by chattel mortgages. Even though these short-term loans are usually renewable, they are not as satisfactory to the borrower who needs long-term credit as are loans with longer maturities.

The importance of providing the lender with complete information as to the proposed change in farm organization cannot be overemphasized. Some farmers have made the mistake of attempting to finance their requirements on a piecemeal basis. Each time they needed additional funds, they went to their lender with a new request without even informing the lender of their long-range plans.

Helps Convince Lender

Frequently the lender has expected payment of loans already made rather than a request for additional loans, and he has been disturbed by the failure of the farmer to make better progress in paying his loans. The farmer will get much better service from his lending agency if he discusses his whole plan with the lender. This will enable the lender to see what will be involved before he makes any commitment, and the lender also may be able to offer valuable suggestions to the farmer.

Fred L. Garlock
Bureau of Agricultural Economics

Pick-Sloan Plan Means

More Farms, Larger Output

THE PROGRAM for water and land development in the Missouri River Basin, generally known as the Pick-Sloan plan, would result in the creation of about 19,000 new farms and would boost agricultural production in the basin substantially.

These are two of the conclusions of a report, "Changes in Crop Production Anticipated from Proposed Irrigation and Reservoir Development in the Missouri River Basin," recently published by BAE. The report analyzes and interprets tentative estimates prepared by the Army Corps of Engineers and the Bureau of Reclamation which planned the over-all program.

Under the Pick-Sloan plan, about 150 reservoirs would be developed for flood control, irrigation, power, navigation, recreation and other purposes. The reservoirs would provide water for new irrigation on about 5 million acres, and also supply supplemental water for 2 million of the estimated 5 million acres now irrigated in the Basin.

Nearly 1¼ million acres of the acreage proposed for new irrigation would be in North Dakota, 1 million in South Dakota, 1½ million in Nebraska, 1 million in Montana and around 600,000 in Wyoming, Colorado, and Kansas. Half of the proposed supplemental irrigation would be in Colorado, a quarter in Nebraska and most of the rest in Wyoming and Montana. The Bureau of Reclamation would have primary responsibility for development of irrigation under this program.

150 Reservoirs Proposed

Of the 150 reservoirs proposed for the Basin, the Corps of Engineers would build about 25 and the Bureau of Reclamation the rest. Those built by the Corps of Engineers would be chiefly in Missouri, eastern Kansas and on the main stem of the Missouri River in the Dakotas. They would be primarily for flood control but in the Dakotas irrigation would be important.

Three of the reservoirs on the main stem would have a combined capacity of 50 million acre-feet—about half the capacity of all 150 reservoirs and equal to 1 year's average flow of the Missouri River at its mouth. The Fort Peck reservoir in Montana is not included since it was constructed before the Pick-Sloan plan was approved.

Figures from the Corps of Engineers indicate that the Government would have to acquire about 1,600,000 acres of land for the 25 reservoirs. Half of this would be covered most of the time by what is called the "conservation" or permanent pool. Another quarter would be in the area reserved for flood control and the rest would be rarely if ever actually flooded.

Reclamation Dams Smaller

The reservoirs to be built by the Bureau of Reclamation would have a combined capacity of 30 million acre-feet, with the largest having a capacity of 5 million. They would be mainly for irrigation although other functions frequently would be important. The Government would acquire an estimated 800,000 acres for the 125 reservoirs. About three-fourths would be covered by the conservation pool. Much of the land above this level would be subject to occasional flooding.

The new reservoirs will have two effects on the number of farms and the quantity of farm products produced. On the one hand, irrigation will be available for the first time to 37,000 farms, about 19,000 of which will be new. On the other hand, about 4,000 farm operators now in reservoir sites will have to move because of flooding. Production on the newly irrigated farms will be increased considerably while output from the farms flooded will be largely lost.

The 37,000 farms in the area to be irrigated for the first time will receive water for an average of 140 acres each. Supplemental water will go to about

15,000 farms already being irrigated plus about 400 new farms. Most of the land proposed for new irrigation already is being cultivated under dry farming methods. In some of the eastern areas no new farms would be created. Farther west nearly all of the land would be laid out in new farms.

The 40,000 farms that would be largely abandoned because they are in reservoir areas is less than a quarter of the new farms that would be created. However, most of the families that will have to move from these farms probably will be unable to locate on new farms. Reservoirs are likely to be developed faster than irrigation. Furthermore, most of the abandoned farms will be in the eastern part of the basin while most of the new farms will be in the west.

If present plans for new and supplemental irrigation are carried out and the increase in crop and pasture production is in line with estimates made by the Bureau of Reclamation, total crop production in the Missouri Basin would rise about 10½ percent above the 1944 level. This increase would have an annual value of about $160 million at 1939–44 farm prices. It would add about 1½ percent to total United States crop production. Over three-fourths of the increased value of production would be accounted for by sugar beets, alfalfa hay, potatoes and corn. Wheat would be reduced.

These production estimates do not include increases that might be expected from flood control.

The table below shows the changes in production of the more important crops on the 7 million acres which would receive new or supplemental irrigation. In some of the newly irrigated areas, it would be possible to substitute to some extent the production of truck or other crops for sugar beets and potatoes. The distribution of crops on newly irrigated farms, as tentatively developed by the Bureau of Reclamation, would be similar to that on farms now being irrigated under federal projects in the Missouri Basin.

To round out the production picture that would result if the Missouri River Valley development is completed, the effects of the loss of output on the 2½ million acres of land in the reservoir sites must be considered. Present output on land that will be covered with water now accounts for about half of the total production on the 2½ million acres. Of the rest of this land, part would be flooded part of the time and the rest seldom if ever. Over-all, a reduction of about three-fourths from current farm production on this land seems reasonable. This would amount to about 5 percent of the estimated increase from new irrigation.

Creation of new farms, abandonment of old ones and changes in production will not occur immediately. According to plans, most of the reservoirs would be completed by 1965. However, irrigation development would continue over perhaps the next 30 years. Furthermore, plans may be changed and the rate of development will depend on appropriations.

Sidney Henderson
Bureau of Agricultural Economics

How Basin Plan Would Affect Crop Output

Crop	Unit	Present production	Anticipated production	Increase or decrease
Corn	1,000 bu.	27,550	52,241	24,691
Wheat	1,000 bu.	19,017	3,328	−15,689
Oats	1,000 bu.	12,897	21,113	8,216
Barley	1,000 bu.	15,596	26,081	10,485
Alfalfa hay	1,000 tons	1,427	5,391	3,964
Sugar beets	1,000 tons	2,228	9,435	7,207
Potatoes	1,000 bu.	10,867	35,783	24,916
Dry edible beans	1,000 bu.	1,734	3,482	1,748

Foot-and-Mouth in Retreat

BUT BATTLE NOT YET WON

FOOT - AND - MOUTH diseases has been menacing the livestock industry of the United States from below our southern border for the past 3 years. The plague appeared late in 1946 in an explosive outbreak that spread through central Mexico, covering an area of over 200,000 square miles before it could be checked behind quarantine lines. Within a few months the governments of Mexico and the United States had joined in what has developed into one of the biggest fights against an animal disease ever waged in any country.

Administration of the battle is in the hands of a Joint Mexican-United States Commission for the Eradication of Foot-and-Mouth Disease. Director of the Commission is Licenciado Oscar Flores of Mexico. The codirector is General Harry H. Johnson of the United States. Personnel includes 1,150 employees of the United States and over 6,000 Mexicans.

Strangles Livestock Industry

The vigor of the eradication efforts has been dictated by the nature of the enemy. Foot-and-mouth disease is one of the most highly communicable of all animal plagues. It strikes cattle, sheep, goats, swine, and other cloven-footed animals, causing blisters and sores on the membranes of the mouth and tongue, on the skin around and between the divided hoofs, on the udders and teats of milk-producing animals, and the snouts of hogs. There is a characteristic tenderness of the affected parts, loss of appetite, lameness, emaciation, serious decline in milk production, and often abortion and sterility in breeding animals. These permanent, debilitating after-effects clamp a strangle hold upon the livestock industry of a nation. Although the mortality rate is actually only about 3 to 5 percent, at times it is much higher, particularly among younger animals.

The United States would be particularly vulnerable to serious damage if the disease should become established in this country. In the first place, the highly mobile character of our livestock industry would help it to spread more rapidly. As our cattle move from western grass lands through midwestern feedlots on to markets, packing plants, and population centers in the east, foot-and-mouth disease—if undetected and therefore uncontrolled — could speed from coast to coast and border to border.

A Costly Plague

However, the United States has had experience in the past with sporadic outbreaks of this plague. Six times since the turn of the century the Bureau of Animal Industry has cooperated with officials in various States to move quickly in wiping it out. Comparatively limited as some of these outbreaks have been, the direct cost of eradicating them amounted to over $18,000,000 spent by State and Federal Governments. Indirect costs in the areas concerned add up to enormously greater amounts.

The last of these outbreaks was in 1929. Careful inspections at our borders and at all ports of entry have kept the disease out of the country, with the exception of the few outbreaks cited above.

A 4-Point Program

Through experience in fighting foot-and-mouth disease there was developed a 4-point program of eradication which has proved successful in the United States. We have used: (1) strict quarantine of the infected premises, (2) immediate slaughter and burial of diseased and exposed herds, (3) repeated inspection of all animals in areas surrounding the infection, and (4) complete disinfection of the infected premises and the use of susceptible test animals to make certain

no trace of the virus remains before quarantine measures are lifted.

Shock Too Great

When the Joint Mexican-United States Commission began the fight in 1947, the original plan of eradication was patterned largely after this four-point program, with modifications to suit conditions in Mexico. Infected and exposed animals were being slaughtered at the rate of about 50,000 a week early in November of that year, but with the head start the disease had gained, it was still spreading. Estimates at that time indicated that if the original plan were to be continued it would mean the destruction of nearly 5,000,000 cattle and a like number of swine, sheep, and goats. It was decided that the country could not stand the economic shock of such a program.

The Commission then entered what we call the second phase of the program which included vaccination. Foot-and-mouth disease vaccine was first developed in Europe in the 1930's. In Germany it was used to help control a bad outbreak in 1929. In Mexico, the plan was to build up the resistance of healthy, susceptible animals by the use of this vaccine and starve out the virus, at the same time continuing to wipe out spots of active infection by eradication methods.

Make Vaccine in Mexico

At first vaccine had to be purchased from abroad because there were no facilities for production on this continent. However, from the beginning, it was soon realized that it would be necessary to produce vaccine on home ground if the vaccination program were to be efficient and practical. By May 1948 the first vaccine was produced in Mexico. During 1949 the Commission manufactured its total requirements—over 42,000,000 doses of vaccine.

The disease has been confined, behind the strict quarantine lines, to the central part of Mexico. This quarantined area has been divided into 10 districts in order to allow more efficient administration of the work. Mexican and United States supervisors are in charge of each district, sharing responsibility for all phases of the program. Brigades are assigned in each district to vaccinate every susceptible animal in a series of repeated vaccinations at approximately 4-month intervals.

The first vaccination was completed in August 1949 in which more than 13,000,000 animals were vaccinated. The second round was completed in February 1950 with more than 14,000,000 animals vaccinated. By the end of February a total of 48,078,825 vaccinations had been made in Mexico. The Commission expects to finish the third round early in May and continue the fourth round at least to a point where all the areas have been covered in which the disease has been concentrated in the past.

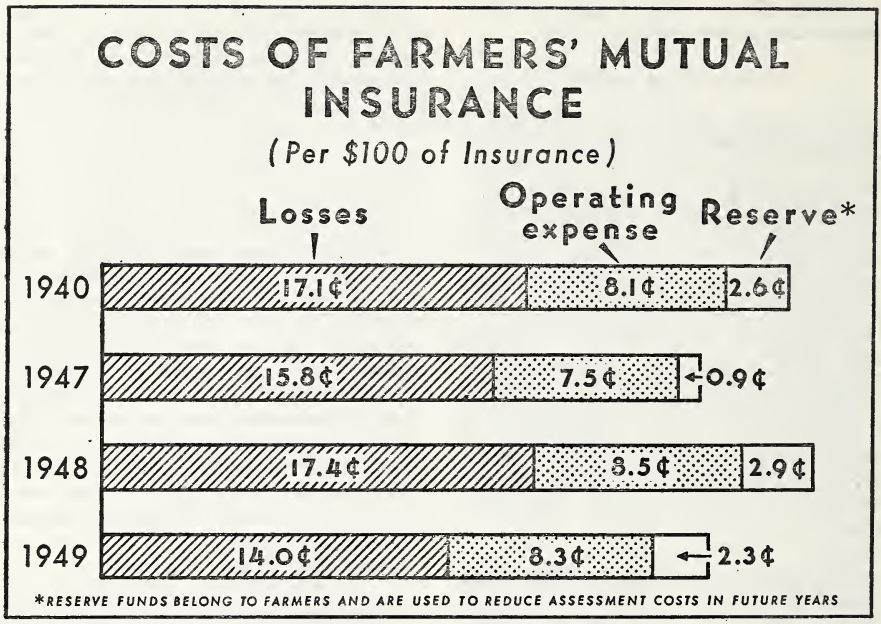
To Change Tactics

Soon after this point is reached, the Commission plans to discontinue mass vaccination and concentrate on careful and repeated inspection of herds, along with the other measures of the eradication program. During this phase, vaccination may be used as necessary in areas surrounding spots of active infection.

During 1949 all outbreaks of active infection were prevented from spreading and completely eradicated. These outbreaks were scattered and comparatively infrequent, with a total of slightly over 8,000 actively infected and exposed animals slaughtered during the year. Of this number 7,329 were slaughtered during the first 6 months. In the first 2 months of 1950, only 15 animals had been slaughtered.

Everyone connected with the campaign has taken heart in the belief this means that headway is being made in the battle. But it is not yet won. It is far too early to indicate when Mexico can be declared free from foot-and-mouth disease and the quarantines lifted. The fight will be continued until that time comes.

M. R. Clarkson
Bureau of Animal Industry



More Insurance at Lower Cost

THE NATION'S 1,850 farmers' mutual fire insurance companies had about 22 billion dollars of insurance on their books at the beginning of this year, about 9 percent more than a year earlier and 78 percent more than in 1940, a recent survey shows.

The amount of insurance carried by existing companies has steadily increased in recent years, though the number of mutuals has grown little. In 1949 as in other years, the larger companies increased their insurance in force more than the smaller ones. About 86 percent of the insurance last year was on the properties of about 4 million farm members.

About two-thirds of the farmers' mutuals insure only against damage from fire and lightning. About one out of five also insures against windstorm damage, a hazard more safely covered by companies operating over a wider territory than most county mutuals. However, about 65 specialized windstorm mutuals are operating in the Midwest, mainly on a State-wide basis.

The average cost of insurance to farmers in 1949 was about 22.3 cents per $100 of insurance compared with 25.9 cents in 1948, and 25.2 cents in 1940. Operating expenses have gone up little in the last decade and in 1949 were only about 8.3 cents per $100 of insurance compared with 8.5 cents in 1948 and 8.1 cents in 1940. These expenses are included in the foregoing costs.

Insurance charges actually paid by farmers averaged slightly above 22 cents in 1949 since most companies are building up safety or reserve funds. These funds eliminate the necessity for an extra levy against members to pay losses or any increase in insurance charges after years when losses are high.

Most of the year-to-year changes in assessments paid by farmers arise from fluctuations in claims paid by the companies. These fluctuations are relatively greater for the smaller than for the larger companies. Therefore, the smaller companies tend to build up larger safety funds or reserves per $100 of insurance than the larger mutuals.

Safety funds belong to farmer-members and help stabilize the assessment rate. This makes the annual insurance costs of members fairly fixed. In years when losses are low, many companies skip their assessment levies. Safety funds of farm mutuals averaged about 51 cents per $100 of insurance at the end of 1949 compared with 37 cents at the end of 1940.

Loss rates of farm mutuals are low mainly because most companies inspect properties before they are accepted for insurance. Costs of obtaining the insurance and making adjustments for loss claims also are low. About a third of the farm mutuals sponsor fire protection activities.

To get the greatest benefit from fire insurance, farmers should check their policies periodically to see if they are up to date and provide the protection needed. They also should be sure to increase their insurance when property values are rising. Another important point is that all buildings on which insurance is desired should be listed in the policy. Buildings are not given "blanket" coverage as is personal property or the contents of a barn. If an addition to the barn is built, the policy should cover it. On the other hand, the policy should not include any building that has been taken down since a premium is then being paid for insurance that cannot be collected.

Other points that should be checked:

Policies should be in the name of the right person since losses are paid to the person whose name is on the policy. If the farm mortgage is paid off, the company should be notified so that the mortgage clause can be removed. A farmer also should be sure his company knows of other fire policies on the property, and that his windstorm company knows of any other windstorm coverage. Farmers also should be sure they are getting all of the rate credits due them because of a reduction in the fire hazard on the property due to the existence of fire-resistant roofs or walls, lightning rods, a central heating plant or the development of local fire-fighting services.

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Outlook Highlights

. . . JUNE 1950

Demand Strengthens

The spring upsurge in activity in the Nation's business and industrial concerns is showing up in a strengthening demand for farm products. This along with the fact that farm marketings have declined as they usually do at this time of year probably accounts for recent increases in prices of farm products.

From mid-April to mid-May, the index of prices received by farmers rose 2 percent. Rising prices of meat animals, wool, cotton, soybeans, and corn accounted for much of the over-all gain.

Other Prices Rising

Outside of farm markets, prices also are showing rising tendencies. Prices paid by farmers including interest, taxes and wage rates continued up from April to May and are a fraction above a year ago. The trend in wholesale price is generally upward. Average prices paid by urban consumers of moderate income are about steady.

Land Values Turn Up

Slightly higher farm real estate values in 19 States raised the United States average for March 1 percent above last November.

Values showed greatest strength in States from North Dakota and Minnesota south through Texas and Louisiana.

The decline offset only part of the drop from the postwar peak. The average for the country still is 5 percent below the November 1948 high and 3 percent below March of last year.

From mid-April to mid-May, prices of all classes of meat animals, except calves and ewes, have trended upward. So has the price of meat at retail. This indicates a strengthening in the consumer demand for meat, the first since the summer of 1948.

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Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and State]

Commodity	5-year average		May 15, 1949	Apr. 15, 1950	May 15, 1950	Effective parity prices May 15, 1950 [2]
	Base period price 1910–14 [1]	January 1935–December 1939				
Basic commodities:						
Cotton (pound)—cents	[3] 12.4	10.34	29.97	28.74	29.24	30.75
Wheat (bushel)—dollars	[3] .884	.837	2.00	2.01	2.04	2.19
Rice (bushel)—do	.891	.742	[4] 2.13	1.93	1.91	2.26
Corn (bushel)—do	[3] .642	.691	1.22	1.26	1.34	1.59
Peanuts (pound)—cents	[3] 4.8	3.55	10.6	10.6	10.7	11.9
Designated nonbasic commodities:						
Potatoes (bushel)—dollars	[5] 1.12	.717	[4] 1.77	1.34	1.28	[6] 1.72
Butterfat (pound)—cents	27.7	29.1	60.6	61.0	60.6	70.4
Milk, wholesale (100 lb.)—dollars	1.73	1.81	3.61	3.60	[7] 3.48	4.39
Wool (pound)—cents	20.1	23.8	51.1	50.4	53.8	51.1
Other nonbasic commodities:						
Barley (bushel)—dollars	[3] .619	.533	.970	1.11	1.12	[6] 1.46
Cottonseed (ton)—do	26.30	27.52	[8] 50.40	[8] 44.40	[8] 45.20	[8] 66.80
Flaxseed (bushel)—do	1.71	1.69	[4] 3.67	3.53	3.60	4.34
Oats (bushel)—do	[3] .399	.340	.660	.749	.788	[6] .940
Rye (bushel)—do	[3] .720	.554	1.19	1.20	1.24	[6] 1.70
Sorghum, grain (100 lb.)—do	[3] 1.21	1.17	2.15	1.98	1.97	[6] 2.85
Soybeans (bushel)—do	1.00	.954	2.18	2.48	2.71	2.54
Sweetpotatoes (bushel)—do	.921	.807	2.73	2.28	2.28	2.34
Beef cattle (100 lb.)—do	6.78	6.56	21.10	21.80	23.20	17.20
Chickens (pound)—cents	11.4	14.9	28.2	23.3	22.5	29.0
Eggs (dozen)—do	[3] 21.5	21.7	43.4	30.8	29.6	[6] 50.6
Hogs (100 lb.)—dollars	7.52	8.38	17.90	15.60	18.50	19.10
Lambs (100 lb.)—do	7.48	7.79	25.30	23.80	24.60	19.00
Veal calves (100 lb.)—do	7.62	7.80	23.70	24.60	25.70	19.40
Oranges, on tree (box)—do	[5] 2.29	1.11	2.76	2.30	1.96	[6] 3.52
Apples (bushel)—do	1.04	.90	[4] 3.12	2.10	2.40	2.64
Hay, baled (ton)—do	8.71	11.20	22.50	21.40	22.00	22.10

[1] Adjusted base period prices 1910–14, based on 120-month average January 1940–December 1949 unless otherwise noted.
[2] Parity prices are computed under the provisions of title III, subtitle A, section 301 (a) of the Agricultural Adjustment Act of 1938 as amended by the Agricultural Acts of 1948 and 1949.
[3] 60-month average, August 1909–July 1914. [4] Revised. [5] 10-season average 1919–28.
[6] Transitional parity, 95 percent of parity price computed under formula in use prior to Jan. 1, 1950.
[7] Preliminary.
[8] Relatively insignificant quantities sold for crushing this month.

Outlook Highlights

(Continued from p. 13)

Lower Wool Output Seen

Like the dairy industry, the wool growers are likely to set a new record this year, but it will be a record low rather than a record high. Output of shorn wool is expected to drop to 212 million pounds (grease basis), 5 million pounds less than last year. Output of pulled wool also is expected to dip to a new low with production expected to be about 35 million pounds compared with 36.4 million in 1949.

With production low, mill consumption likely to increase slightly, and foreign markets active, wool prices are expected to stay strong for some time.

Livestock Prospects Favorable

Generally, the price prospects for farmers who expect to market livestock this summer are favorable.

Prices for barrows, gilts and well-finished cattle are expected to rise, with the peaks likely in late summer. The fall drop for hogs is likely to be at least average; that for top cattle moderate.

Stocker and feeder cattle and lower grades of slaughter steers probably will decline. However, strength in prices of well-finished steers may be delaying their seasonal downturn.

Seasonal declines also are in prospect for sheep and lambs, though they will remain relatively high.

(Continued on p. 16)

Year and month	Industrial production (1935–39=100) [1]	Total income of industrial workers (1935–39=100) [2]	Average earnings of factory workers per worker (1910–14=100)	Wholesale prices of all commodities (1910–14=100) [3]	Index numbers of prices paid by farmers (1910–14=100) [4]			Index numbers of prices received by farmers (1910–14=100) [4]			
					Commodities	Wage rates for hired farm labor [5]	Commodities, interest, taxes, and wage rates	Livestock and products			
								Dairy products	Poultry and eggs	Meat animals	All livestock
1910–14 average	58	50	100	100	100	100	100	100	100	100	100
1915–19 average	72	90	152	158	149	147	148	147	153	162	157
1920–24 average	75	122	221	160	159	181	168	159	163	121	140
1925–29 average	98	129	232	143	151	184	161	161	155	145	152
1930–34 average	74	78	179	107	117	121	124	105	94	83	91
1935–39 average	100	100	199	118	124	121	125	119	108	117	115
1940–44 average	192	236	315	139	148	211	152	169	145	166	162
1945 average	203	291	389	154	180	359	189	230	194	207	210
1946 average	170	276	382	177	197	387	207	267	197	248	241
1947 average	187	328	436	222	231	419	240	272	219	329	287
1948 average	192	354	472	241	250	442	259	300	235	361	314
1949 average	176	325	478	226	241	429	250	251	219	311	272
1949											
May	174	322	472	227	244	-------	253	235	215	319	271
June	169	320	475	226	242	-------	252	233	212	323	271
July	161	315	476	224	240	429	250	237	213	316	269
August	170	323	477	223	238	-------	249	244	225	310	271
September	174	331	485	224	238	-------	248	251	236	319	279
October	166	307	480	222	237	414	246	258	230	301	271
November	173	313	474	221	236	-------	245	261	216	286	262
December	179	[6] 325	490	221	237	-------	246	261	194	280	255
1950											
January	183	322	491	221	238	429	249	254	158	286	249
February	181	316	491	223	237	-------	248	250	155	306	257
March	187	336	[7] 493	223	239	-------	250	243	165	308	258
April	[7] 189	-------	-------	223	240	427	251	235	161	312	256
May	-------	-------	-------	-------	244	-------	254	230	154	342	269

Year and month	Index numbers of prices received by farmers (1910–14=100) [4]								All crops and livestock	Parity ratio [4] [8]
	Crops									
	Food grains	Feed grains and hay	Tobacco	Cotton	Oil-bearing crops	Fruit	Truck crops	All crops		
1910–14 average	100	100	100	100	100	100	-------	100	100	100
1915–19 average	193	161	183	175	201	126	-------	171	164	111
1920–24 average	147	125	189	197	155	157	[9] 152	162	150	89
1925–29 average	141	118	169	150	135	146	145	143	148	92
1930–34 average	70	76	117	77	78	98	104	84	88	71
1935–39 average	94	95	172	87	113	95	95	99	107	86
1940–44 average	123	119	241	138	170	150	164	145	154	101
1945 average	172	161	360	178	228	244	207	203	206	109
1946 average	201	196	376	237	260	250	182	227	234	113
1947 average	270	249	374	272	363	212	226	263	275	115
1948 average	250	250	380	270	351	174	214	252	285	110
1949 average	219	170	398	245	242	199	201	223	249	100
1949										
May	229	174	403	252	245	239	194	235	253	100
June	213	168	404	253	232	235	155	225	249	99
July	209	171	404	253	219	217	168	221	246	98
August	205	165	400	246	241	181	170	214	244	98
September	211	166	393	250	227	160	188	212	247	100
October	213	161	396	241	221	180	174	210	242	98
November	215	157	369	233	220	172	213	210	237	97
December	219	168	394	223	225	174	196	210	233	95
1950										
January	218	170	382	222	228	185	261	219	235	94
February	219	171	389	231	228	186	203	215	237	96
March	224	174	389	236	230	193	168	215	237	95
April	227	181	389	242	239	206	205	225	241	96
May	230	190	387	246	248	195	178	223	247	97

[1] Federal Reserve Board: represents output of mining and manufacturing; monthly data adjusted for seasonal variation.

[2] Computed from data furnished by Bureau of Labor Statistics and Interstate Commerce Commission on pay rolls in mining, manufacturing, and transportation; monthly data adjusted for seasonal variation. Revised January 1950. [3] Bureau of Labor Statistics.

[4] Revised January 1950. [5] Farm wage rates simple averages of quarterly data, seasonally adjusted.

[6] Revised. [7] Preliminary.

[8] Ratio of index of prices received to index of prices paid, interest, taxes, and wage rates. This parity ratio will not necessarily be identical to a weighted average percent of parity for all farm products, largely because parity prices for some products are on a transitional basis. [9] 1924 only.

Outlook Highlights

(Continued from p. 14)

Poultry Prices Weak

Egg prices to farmers this spring have never risen more than 2 cents above the February average of 29.6 cents, the lowest in 6 years; in mid-May they were back down to the February level. Weakness in the markets has been accompanied by large offerings of dried eggs to CCC and by a considerable movement of eggs into cold storage.

Chicken prices also declined from mid-April to mid-May. This probably reflects the general expectation that marketings of young birds from farms will soon increase seasonally as will the sale of broilers.

New Milk Record Likely

In every month since mid-1948, production of milk per cow has set a new record. During most of the last year, the number of milk cows has increased. Production is likely to continue at a high rate unless crop and pasture conditions become unfavorable. There is a good chance that total output for the year will top the 1945 record of 121½ billion pounds.

Lower Tobacco Output Likely

Smaller tobacco production than last year is likely if yields per acre do not exceed the average of recent years. Acreage allotments for burley, fire-cured and dark-air-cured tobacco are lower than last year but the flue-cured allotment is slightly larger. Continental cigar types and Maryland tobacco are not under acreage allotments or marketing quotas.

Larger stocks of most tobacco at the beginning of the 1950–51 tobacco season will help offset any declines in output.

Demand for flue-cured and burley this year is expected to be fairly strong. Prices received by growers probably will be in line with those of recent years. Support levels probably will exceed those of last season.

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